

No. 2519

IN THE

United States Circuit Court of Appeals

For the Ninth Circuit

February Term 1915

SHERMAN CLAY & COMPANY,
Appellant,

VS.

SEARCHLIGHT HORN COMPANY,
Appellee.

BRIEF FOR APPELLEE.

JOHN H. MILLER,
Attorney for Appellee.

Filed this.....*day of March, 1915.*

FRANK D. MONCKTON, *Clerk.*

By.....*Deputy Clerk.*

Filed
MAR 13 1915
F. D. Monckton,
Clerk.

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BRIEF FOR APPELLEE.

Preliminary Objection.

The matter before the court in this case is stated by appellant to be an appeal from an order by the District Court of the United States for the Northern District of California, denying appellant's motion for an injunction staying the further prosecution of the case until the final determination of a certain suit pending in New Jersey. The petition for an order allowing the appeal specifies an order made on the 19th day of August, 1914 (Record 134), and the assignment of errors (Record 135) and the

order allowing the appeal (Record 138), state that the appeal is taken from said order entered on August 19, 1914. But the record fails to contain any such order. It is true that the record (page 130) contains a "memorandum opinion", which was rendered by the court on August 19, 1914, giving the reasons why the defendant below was not entitled to the order asked for; but the record contains no order denying the motion. *Non constat* that any such order was ever entered. Certainly there is none in the record. The "opinion" of the lower court is not an order. It is merely a statement of the reasons why an order should be entered in accordance with the opinion. Consequently, so far as the record shows, this appears to be an appeal from some kind of an order which does not appear in the record, and which does not affirmatively appear ever to have been entered at all. Of course this court will not consider an appeal from the opinion of the lower court. Under these circumstances, there is nothing for this court to consider on this appeal, and we ask that the appeal be dismissed for that reason.

Statement of Facts.

If, however, the court concludes to consider this appeal on the merits, then we submit the following. The facts are these. The suit is in equity to enjoin the infringement of a patent for a phonograph horn. Certain unknown manufacturing corporations in

the Eastern states manufactured the infringing horns and sold them to the Victor Talking Machine Co., a corporation, in New Jersey. The Victor Co. then delivered the horns to its distributing agent at San Francisco, Sherman Clay & Co., the defendant herein. Defendant then sold the horns to retail dealers throughout the Pacific Coast, and these retail dealers sold them to the ultimate users (Record 97, 104 and 131). Under these circumstances, plaintiff first instituted an action at law against Sherman Clay & Co. in the Northern District of California to recover damages for past infringement and secured a judgment which was affirmed by this court on writ of error (*Sherman Clay & Co. v. Searchlight Horn Co.*, 214 Fed. 86).

As Sherman Clay & Co. continued the infringement after the judgment, plaintiff instituted this present suit in equity on November 25, 1912, to obtain an injunction restraining further infringement, and on motion duly made a preliminary injunction was granted which was also affirmed by this court on appeal (214 Fed. 99). Both of the aforesaid cases were defended by the Victor Talking Machine Co. under a guarantee from that company to protect its distributors against all infringement suits. Consequently, the Victor Co. is bound by the decisions in those cases. These two suits were brought as test cases, with the expectation that a favorable decision therein for plaintiff would terminate the controversy and induce a settlement by the Victor Co. without further litigation.

While these two suits against Sherman Clay & Co. were pending, the statute of limitations was running against the Victor Co., and the suits were so long delayed by reason of dilatory tactics on the part of the defendant that as a matter of precaution plaintiff filed a bill in the United States District Court of New Jersey against the Victor Co. in order to stop further running of the statute of limitations.

The case at bar came up for trial in due course prior to the decisions of this court in 214 Federal Reporter, and at the request of defendant's attorney the trial was continued until the decision of this court could be rendered. The decisions of this court were rendered on May 4, 1914. Thereupon the trial of the present case was set for August 25, 1914, without any objection from defendant. Before the case was reached for trial, defendant below made its motion for an order enjoining the further prosecution of the suit and also from the institution of any other suit against dealers of the Victor Co. until the final determination of the suit which the plaintiff had brought in the District Court of New Jersey against the Victor Talking Machine Co. In other words, after the matters in controversy had been thoroughly tried out on the merits by the lower court and affirmed on writ of error by this court, the defendant asked the court to tie up the California litigation indefinitely until the New Jersey case against the Victor Co. could be tried and determined, the theory being that in the accounting

against the Victor Co. in New Jersey the infringing machines involved in the present case against Sherman Clay & Co. will be accounted for and compensation awarded, and as a result thereof that the present suit against Sherman Clay & Co. will have to be dismissed.

The lower court denied this motion and rendered a memorandum opinion, which appears between pages 130 and 133 of the record. From this opinion, which appellant's counsel call "an order denying an injunction", the present appeal is taken.

In reference to the facts occurring after the denial of this motion, we beg to state as follows: When the case was reached for trial on August 25, 1914, the day on which it was set for trial, at the urgent request of counsel for the defendant, it was agreed that the trial of the case should be continued until the November, 1914, term of the lower court. This continuance was granted by us, but at the same time the matter was fully covered by the following stipulation between the parties, which appears at page 129 of the record, viz.:

"STIPULATION FOR CONTINUANCE.

"It is hereby stipulated and agreed by and between the parties to the above-entitled suit that the trial of the said case which has heretofore been set for August 25, 1914, be postponed until the November, 1914, term of said court, and that at said November, 1914, term the case shall be tried without further objection from defendant or any further motion for a continuance.

“And in consideration of the making of the above stipulation on the part of the plaintiff’s attorney, it is stipulated and agreed that the defendant in the case of Searchlight Horn Co. v. Victor Talking Machine, No. 394, in the District Court of the United States for the District of New Jersey, shall not without the written consent of the plaintiff’s attorney bring that case on for final hearing or take any step in that direction prior to the final hearing of the above-entitled case at the time provided for in the above stipulation.

MILLER & WHITE,
Attorneys and Counsel for Plaintiff in
both said cases.

HORACE PETTIT,
N. A. ACKER,
Attorneys and Counsel for Defendants
in both said cases.

Dated August 19, 1914.”

If the court desires to know what occurred at the said November, 1914, Term of the Court, we state the following as the facts. The case was set regularly for trial on November 25, 1914. The day before the trial, the defendant’s chief attorney who had arrived from New York for the purpose of participating in the argument of the case, stated to us that in his view the case was one that should be settled amicably without further litigation, and that, if we would consent to a continuance of the case for the term, he would return to New York and advise his clients to settle the case amicably, if such settlement could be agreed on between the parties, and he invited the writer of this brief to go on to New York for the purpose of negotiating a

settlement. Thereupon we agreed to a continuance of the case for the term, and later the writer of this brief proceeded to New York and entered into negotiations with the Victor Talking Machine Co. and the Thomas A. Edison, Inc., for settlement of the cases. These negotiations proved abortive because of the fact that a mutually satisfactory sum could not be agreed upon, and the writer of this brief then returned to California for the trial of the case, which has been set for March 31, 1915.

These last stated facts do not appear in the record, and as stated above, we are merely giving them in the event that this court may desire to know them. If the court does not desire to know them, then they may be disregarded. If the court does desire to know them, we have prepared an affidavit detailing the same.

Argument.

I.

Appellant relies for a reversal upon the case of *Stebler v. Riverside*, 214 Fed. 550; but we insist that said case is wholly different from the one at bar, and for that reason is not controlling. The facts of that case were there: Stebler, the plaintiff, and Parker, a defendant, were rival manufacturers of a machine called a fruit grader used extensively in Southern California by fruit packers for handling and packing oranges. Stebler sued Parker for manufacturing and selling an infringing machine

and on final hearing secured an interlocutory decree for an injunction and an accounting. But instead of proceeding with this accounting, Stebler instituted 31 suits in equity against 31 of Parker's customers, who were using the infringing graders, and asked for injunctions prohibiting said 31 users from further use of those said 31 infringing machines and also for an accounting of damages and profits arising from use of said 31 machines by said 31 users. The lower court held that Stebler could obtain full compensation in respect of said 31 machines from Parker by proceeding with the accounting and that after obtaining such compensation, the 31 machines in the hands of the 31 users would be freed from the monopoly of the patent on the ground that there could not be a double recovery, that is to say, one against Parker and another against the user. Under such circumstances, the court held that these 31 suits against the users were vexatious and oppressive, and an injunction was granted against their further prosecution until the final determination of the parent case against Parker; but Parker was required to furnish a heavy bond for the payment of such damages as might be awarded against him on the accounting.

The facts of our case are wholly different. There is no controversy between rival manufacturers. The infringing horns were made by certain unknown manufacturers in the Eastern states and by them sold to the Victor Talking Machine Co. in the Eastern states, after which the Victor Talking Ma-

chine Co. delivered the horns to Sherman Clay & Co., their Pacific Coast distributing agent, and Sherman Clay & Co. then sold the horns to the retail dealers throughout the Pacific Coast, which retail dealers sold them to the ultimate users. The facts, therefore, which differentiate this case from the Stebler case are as follows:

A.

STEBLER'S CASE WAS ONE BETWEEN RIVAL MANUFACTURERS AND USERS.

Both Stebler, the plaintiff, and Parker, the defendant, were manufacturers, that is to say, the primary source from which the good emanated. Stebler elected to enjoy his patented invention by manufacturing the machines and selling them to users. He granted no licenses to others to manufacture, but reserved that right as a close monopoly for himself. Under this procedure, when he sold a patented grader, the same was freed from the monopoly of the patent and the purchaser acquired a license to use it perpetually. Consequently, when Parker, the infringer, intervened and sold infringing graders, he thereby, in contemplation of law, prevented Stebler from making those sales. Thereby Stebler lost those sales, and the sole and only damage he suffered thereby was the loss of the profits which he would have made if he himself had made those sales. Under this theory the court held that Stebler was entitled to recover from Parker the damages and profits occasioned by the manufacture

and sale of the infringing machines, and that when such compensation had been made, then the infringing machines would be released from the monopoly of the patent as effectually as if Stebler had sold them himself.

In its decision of the case, at page 553, this court refers to the interlocutory decree awarding damages and profits, and then says:

“There was thus distinctly provided a method whereby the plaintiff might recover all losses suffered by him by reason of the infringement of his patent—those in the nature of damages as well as those in the nature of profits received by the infringing defendants. * * * Plaintiff derives his profits from the manufacture and sale of fruit grading machines covered by the patent. These profits consist of the difference between the cost of manufacture and the prices for which he sells the machines. These profits are therefore the only compensation which he receives for the machines manufactured and sold by him during the entire life thereof. When final judgment is entered against the defendants pursuant to the accounting which has been ordered against them, the plaintiff will receive thereunder full compensation for the use of the machines by the vendees of the defendants herein for such period as they are capable of being used, in the same manner and to the same extent as he would have done had he sold the machines himself.”

But our case is wholly different. Neither the plaintiff nor the defendant is a manufacturer, nor is the defendant's principal, the Victor Talking Machine Co., a manufacturer. On the contrary, the

Victor Talking Machine Co. buys the infringing machines from certain unknown and unnamed manufacturers in the East. These infringing machines are then delivered to Sherman Clay & Co., the Pacific Coast distributing agent of the Victor Co., and they are then sold by Sherman Clay & Co. to retail dealers, who in turn sell them to the ultimate users. Both Sherman Clay & Co. and the Victor Co. are "re-sellers", and the doctrine of the Stebler case does not apply to "re-sellers". This was admitted by Parker's attorney in his brief filed in that case in this court. At page 28 thereof he says:

"Settlement with the infringing manufacturer would not release the profit due from the re-seller of an infringing device."

And again, at page 29, where he differentiates the case of a re-seller from that of a user, he says:

"The owner of a patent is entitled to a recovery against the re-seller for profits derived therefrom in addition to a recovery against the infringing manufacturer of the article manufactured for re-sale. * * * This right we have never questioned nor do we do so at this time."

The attorney for Parker in the Stebler case who used the above language was Mr. N. A. Acker, who is the present attorney for Sherman Clay & Co. in the case at bar.

Judge Van Fleet in the lower court also took the same view. After stating the facts of the Stebler case he proceeded as follows at page 131 of the record:

“But that is not this case. The New Jersey suit is not against the manufacturer or primary infringer. The defendant in that case is itself a buyer from the manufacturer, who sells or ships the devices in suit to the defendant here and other dealers for re-sale to still other and smaller dealers, who in turn sell to the ultimate users. The defendant in this case is therefore a distributor or dealer in the alleged infringing articles standing on a precisely similar plane under the law as the defendant in the New Jersey suit, and is not a user; and the object of this suit is to enjoin such sale and distribution, with the recovery of damages for the infringing acts, precisely as is the object of the suit against the New Jersey defendant. In other words, the defendant in this case and the defendant in the New Jersey case are guilty of precisely like acts of violation of plaintiff’s rights, differing only in degree but not in kind. They are both tort-feasors and are equally liable to a suit by plaintiff at its pleasure or election. Under these circumstances the plaintiff was entirely within its rights in bringing this action and maintaining it; and the suit here having been first brought, and this court having thereby first obtained jurisdiction, and the cause being now ready for trial, and moreover, as appears from the showing, defended by the same party who is defendant in the New Jersey suit, there is nothing presented in the cases relied on which in equity or good conscience should dictate a postponement to await the disposition of the case against one standing in substantially the same relation to the subject-matter.”

This ruling is in accordance with the doctrine of the Supreme Court announced in *Callaghan v. Myers*, 128 U. S. 617, relating to a copyrighted book.

The court held that the plaintiff was entitled to enjoin the re-sale of the infringing books notwithstanding the fact that those specific books had already been accounted for by the manufacturer, holding that the plaintiff was twice injured, first by the original sale of the manufacturer and then by the re-sale of the dealer. Applying this rule to the case at bar it is apparent that we were injured by the sales by the Victor Co. to Sherman Clay & Co. and can enjoin future recurrences of such sales in our suit against the Victor Talking Machine Co. And we were also injured by the re-sale of the articles by Sherman Clay & Co., and can prevent the recurrence of such re-sales in our suit against Sherman Clay & Co. In other words, our cause of action against the Victor Co. is to prevent future sales, and our cause of action against Sherman Clay & Co. is to prevent future re-sales. The matter of damages and profits for horns sold in the past is merely incidental and subsidiary to the main cause of action, and while we can not have a double recovery in respect of horns already sold, that is a matter to be considered on the accounting and does not interfere with our cause of action for an injunction prohibiting future sales.

We commend to the court careful consideration of the case of *Kryptok Co. v. Stead Lens Co.*, 190 Fed. 767, decided by the court of appeals of the Eighth Circuit. It seems to us to cover the case in hand completely.

Other cases in point are:

Kelly v. Ypsilanti, 44 Fed. 19;
Westinghouse v. Mutual Life, 129 Fed. 213;
Philadelphia v. Edison, 65 Fed. 551;
New York v. Schwarzwold, 58 Fed. 577;
Gamewell v. Star, 199 Fed. 188.

B.

NEITHER IS THE SEARCHLIGHT HORN CO. A MANUFACTURER AND SELLER OF THE PATENTED DEVICE.

The fundamental theory of the Stebler case is that both plaintiff and defendant were manufacturers. Consequently, in order that that case may fit the one at bar, it must be made to appear that the Searchlight Horn Co. is a manufacturer of the patented device and derives its sole profit from such manufacture and sale to users. This much is beyond doubt.

The Searchlight Horn Co. is not a manufacturer. It appears that prior to May 1, 1908, the Searchlight Co. attempted to manufacture and sell to users, but the infringing competition was so fierce that its business proved to be a disastrous failure and was permanently discontinued at a loss of some \$40,000, which disastrous result was caused by the infringing acts of the Victor Talking Machine Co. and other phonographic companies (Record 104-5). *At no time since May 1, 1908, has the Searchlight Horn Co. been a manufacturer. It is not now a manufacturer.* It does not elect to enjoy its patent

by endeavoring to keep a monopoly of manufacture and sale. It tried that once and suffered financial ruin. Since then, it has been engaged in endeavoring to compel infringers to settle for their misdeeds. Under these circumstances it is idle to assume, as is assumed by appellant's counsel, that if the infringing horns had not been sold by Sherman Clay & Co. to their customers, they would have been sold by the Searchlight Horn Co. Seven years ago the Victor Talking Machine Co. and the other phonographic companies, by reason of their wilful and deliberate infringement of this patent, wrecked the business of the Searchlight Co., entailing upon the company a loss of some \$40,000, and after having accomplished that result and thereby prevented the Searchlight Horn Co. from resuming business, they come into a court of justice and blandly assert that if Sherman Clay & Co. had not sold its infringing horns the Searchlight Horn Co., a bankrupt concern, which is not in business at all, would have made those sales. A simple statement of the contention carries its refutation, and this clearly differentiates the case at bar from Stebler's case.

C.

THE STEBLER CASE RELATED SOLELY TO COMPENSATION FOR 31 SPECIFIC MACHINES AND NOT TO AN INJUNCTION AGAINST FURTHER MANUFACTURE OF SIMILAR MACHINES.

A most casual reading of the decision of this court in the Stebler case (214 Fed. 550) and of the

decision of the lower court in 211 Fed. 985, proves this contention. Parker had sold 31 fruit graders to 31 different fruit packers, who were using those graders, and the object of the 31 suits was to prevent further use of those specific 31 graders and to recover damages and profits for the past use. There was no pretense that the 31 users were threatening to manufacture any graders or to purchase from a manufacturer any other graders. The sole offense was the use of 31 specific graders. But such is not the case here. There is no controversy as to any specific horns. The object of the suit against Sherman Clay & Co. is to obtain an injunction preventing them from the further sale of any horns similar to those theretofore sold by them and held to be infringements. Damages for the specific horns already sold by Sherman Clay & Co. have been awarded to the plaintiff in the action at law against Sherman Clay & Co. Those specific horns have been thereby eliminated from the controversy, so far as any damages in respect of them are concerned. It is not for having sold those specific horns that the present suit was commenced. The present suit was commenced because Sherman Clay & Co. continued to sell other infringing horns after judgment had been awarded for those theretofore sold, and it was for the purpose of preventing such further infringement that this suit was commenced. Its sole and only foundation is to obtain an injunction against further infringements. It is true that incidentally plaintiff will be entitled to an accounting of dam-

ages and profits for such horns as may have been sold by defendant after the action at law; but that is purely an incident. The ground of jurisdiction in equity for infringement of a patent is laid down by section 4921 of the Revised Statutes, which reads as follows:

“The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for an infringement the plaintiff shall be entitled to recover, in addition to the profits to be accounted for by the defendant the damages the complainant has sustained thereby; and the court shall assess the same or cause the same to be assessed under its direction.”

The subject of equity jurisdiction in patent cases is discussed at length in the case of *Root v. R. R. Co.*, 105 U. S. 189, from which it will appear that our position is correct, viz.: *that the jurisdiction in equity is dependant solely upon the right to an injunction against further infringements*, and that an accounting of damages and profits is purely an incidental matter, based on the general proposition that when equity acquires jurisdiction of a controversy it will proceed to administer full relief, even though a portion of such relief may be of a purely legal character cognizable in an action at law. These considerations differentiate the case at bar from *Stebler's case*, and on a well recognized princi-

ple of equity jurisprudence show that plaintiff here could not obtain the full relief in a suit against the Victor Co. which it could obtain and which it is entitled to obtain in the suit against Sherman Clay Co. The whole theory of appellant is that in the suit against the Victor Co. we could obtain the full and entire compensation which we are seeking to obtain against Sherman Clay & Co. But this is error. In the suit against the Victor Co. we could not obtain an injunction prohibiting Sherman Clay & Co. from further infringement, which is the object of the present suit. We might obtain an injunction against the Victor Co. from further infringements, but that would leave Sherman Clay & Co. free to infringe by either manufacturing horns themselves or obtaining them from sources other than the Victor Co.

D.

FURTHERMORE, THE STATUTE OF LIMITATIONS HAS INTERVENED IN BEHALF OF THE VICTOR CO. IN RESPECT OF A PORTION OF ITS INFRINGEMENT AND THE HORNS SOLD BY THEM DURING THAT PERIOD TO SHERMAN CLAY & CO. CAN NOT BE RECOVERED FOR, WHEREAS SUCH HORNS CAN BE RECOVERED FOR IN THE PRESENT CASE.

In other words, we can not recover full compensation for infringement of all of our rights in the Victor suit. This results from the fact that the suit against Sherman Clay & Co. was brought first and the suit against the Victor Co. was brought later. The statute of limitations is six years; conse-

quently, some of the machines accountable for in the Sherman Clay & Co. suit will be barred by the statute of limitations in the Victor suit, thus showing that full compensation can not be obtained in the Victor case. On this point Judge Van Fleet says in his decision, at page 132 of the Record:

“But the facts show that by reason of the intervention of the statute of limitations the same extent of relief sought against the present defendant under the allegations of the bill could not be made against the New Jersey defendant.”

The theory of appellant is that in the New Jersey case plaintiff can recover the full and entire compensation which it can recover in the case against Sherman Clay & Co.; but it will be seen from the above that this is erroneous as to a portion of the horns sold by the Victor Co. to Sherman Clay & Co. Consequently, this is another fact differentiating the case from Stebler's case.

E.

AND STILL FURTHER, EVEN IF THE PLAINTIFF WERE ENTITLED TO A JUDGMENT FOR FULL COMPENSATION IN THE SUIT AGAINST THE VICTOR CO., WHAT ASSURANCE OR SECURITY IS THERE THAT THE PLAINTIFF WOULD EVER BE ABLE TO REALIZE ON SUCH A JUDGMENT?

It is true that appellant alleges that the Victor Co. “is” able to respond to any damage which may be awarded against it, and the appellee agrees to such proposition. But this relates only to the pres-

ent ability of the Victor Co. Who is there can prophesy that when a judgment is rendered against the Victor Co. in the dim and distant future the Victor Talking Machine Co. will be financially able to respond thereto? In that suit it will be a long, long time before trial can be reached, due to the congested condition of the calendar in the New Jersey district (Record 124). If an interlocutory decree is awarded to the plaintiff therein, then a petition for a rehearing may be filed, and if that petition is denied, then an appeal will be taken from the interlocutory decree. And if the decree is affirmed, then a petition for rehearing may be filed. If that is denied, possibly an application will be made to the Supreme Court for a writ of *certiorari*, which, if granted, would tie up the case for a period of time which no one can measure. And if after these various proceedings, the case is sent back to the lower court for an accounting, it will be necessary to overhaul the voluminous books and records of the Victor Co. and make an estimate of the cost of production and the profits, as well as the damages suffered by the plaintiff, and such an accounting would undoubtedly be prolonged to some distant time in the future which no man can estimate. And if we secure a judgment for a definite sum, exceptions may be filed before the court and arguments had thereon, and if the same be overruled a final decree will be entered, from which the Victor Co. can prosecute an appeal and again move for rehearings and writs

of *certiorari*. Under these circumstances, there is no mortal who can tell when the proceedings against the Victor Talking Machine Co. will come to a definite result. It may be five, ten, or fifteen years, or even more, and who is there can say that at the end of that period of time the Victor Co. will be able to respond to the judgment against it? Rich and powerful corporations who have figured as financial giants on Wall Street fail every day. Consider the New York, Hartford & New Haven R. R. Co., headed by the deceased Pierpont Morgan. A few years ago its stock was considered as good as a United States bond. Suddenly and without warning a financial crash came, and to-day the stock is of but little value. Ten days ago a great trans-continental railway, the Western Pacific, went into the hands of receivers, and such occurrences happen every day. There is no security whatever that at the end of the litigation against the Victor Talking Machine Co. in the dim and distant future, said company will be able to respond to the large judgment which we hope to secure against it. In the Stebler case, the court required a heavy bond by Parker for the payment of such judgment as might be rendered. No such offer was made by Sherman Clay & Co. in the present case. Their position is that the Victor Co. is at the present time able to respond to a judgment, and therefore they would be in the same position when a judgment is rendered against them at some indefinite time in the future.

F.

**AND FINALLY, THE FUNDAMENTAL REASON FOR THE RULING
IN STEBLER'S CASE WAS THE INEQUITABLE CONDUCT OF
THE PATENT OWNER.**

He began 31 useless suits against 31 innocent users, whereas he was able to obtain complete compensation in the parent suit against Parker. Both the lower court and this court held such conduct to be inequitable. But there is no such state of facts in the present case. Judge Van Fleet says in that behalf, at page 133 of the Record:

“That this action is being prosecuted or other actions threatened in any oppressive or vexatious spirit, I regard as fully negatived by the showing made in opposition to the motion; and should such spirit manifest itself by any future act of the plaintiff it will always be within the power of the court, upon proper application, to protect defendant, or those whom it represents, against its effect.”

As showing that plaintiff's conduct is not inequitable, we refer the court to pages 99, 100 and 101 of the Record.

II.

**The Victor Talking Machine Co. Defended the Action at
Law and is Defending the Present Suit in Equity
Against Sherman Clay & Co., and Hence There is no
Occasion to Suspend Prosecution of the Suit Until
the Determination of the New Jersey Case.**

Whatever may be decided in this case on final hearing will be binding upon the Victor Talking

Machine Co. and will become *res adjudicata*, and there is no reason, in the legal aspect, why the battle front should be shifted from California to New Jersey. The California suit was commenced first, and, therefore, the jurisdiction of the California court should not be made subservient to that of the New Jersey court. The New Jersey court should, and doubtless will, suspend the prosecution of the case there until the determination of the California case on the ground that the court which first acquires jurisdiction should be allowed to settle the controversy without interference and to the end that uniformity of decision may be obtained. There is no reason why the California district court should abdicate its jurisdiction in favor of the New Jersey district court, inasmuch as the Victor Talking Machine Co. is defending both cases. The Victor Co. voluntarily and of its own accord elected to defend the California case and should be compelled to abide by such election.

Judge Van Fleet says at page 132 of the Record:

“Under these circumstances the plaintiff was entirely within its rights in bringing this action and maintaining it; and the suit here having been first brought, and this court having thereby first obtained jurisdiction, and the cause being now ready for trial, and moreover, as appears from the showing, defended by the same party who is defendant in the New Jersey suit, there is nothing presented in the cases relied on which in equity or good conscience should dictate a postponement to await the disposition of the case against one standing in substantially the same relation to the subject matter”.

III.

The Question of Hardship.

In the Stebler case this court held that the institution of 31 equity suits against 31 customers of Parker in respect of 31 specific machines sold by Parker was a case of hardship and oppression, which would not be tolerated by a court of equity. This hardship arose from the fact that Parker was under obligation to protect his customers against infringement suits and it was his duty therefore to defend these 31 suits which had been brought against his customers in respect of the 31 specific machines involved, whereas those 31 specific machines could be accounted for in the parent suit against Parker which had already eventuated in an interlocutory decree. Under these circumstances to have permitted Stebler to prosecute, and to have compelled Parker to defend, those 31 suits in equity would have been clearly inequitable, harsh, and oppressive. It was for this reason that the lower court exercised its discretion and granted a preliminary injunction. No such facts are found in the case at bar. The Searchlight Co. has brought a test case against Sherman Clay & Co., which said case is being defended by the Victor Co. If the Searchlight Horn Co. had instituted a multiplicity of suits against the customers of the Sherman Clay Co. indiscriminately, it would be within the discretion of the court to stay their prosecution until the determination of the main case. It is alleged in the moving papers below, and it seems to be the basis of

the appellant's application, that the plaintiff has threatened to bring innumerable suits against other customers of the Victor Talking Machine Co.; but these allegations are squarely and positively denied, and Judge Van Fleet says at page 133:

“Under all the circumstances and having in mind the history of the litigation between the parties here, I am of opinion that it would be inequitable to deny plaintiff the right to proceed. That this action is being prosecuted or other actions threatened in any oppressive or vexatious spirit, I regard as fully negated by the showing made in opposition to the motion; and should such spirit manifest itself by any future act of the plaintiff it will always be within the power of the court, upon proper application, to protect the defendant, or those whom it represents, against its effect.”

All that plaintiff has done in this respect is to send warning letters to three dealers, who have persisted in infringing since the judgment against Sherman Clay & Co. in the parent suit; but it clearly appears from the showing that there is no intention of instituting suits against either of those three dealers. In this behalf we ask the court to carefully read paragraph 10 of the answer of the appellee, beginning at the bottom of page 100 and ending on page 102 of the record.

It is true that there is an action at law pending against one other customer of the Victor Talking Machine Co., that is to say, an action against Wiley B. Allen & Co., in the district court for the Southern District of California; but the facts in regard

to that action are fully stated in paragraph 9 of appellee's answer, beginning at the bottom of page 99 of the Record. That suit was brought at the same time as the action at law against Sherman, Clay & Co., merely for the purpose of getting a speedy trial in case the action in the Northern District was not reached at an early date; but inasmuch as the action in the Northern District was reached and tried, the Allen suit in the Southern District was not pressed and has been lying dormant ever since, and probably will never be pressed for trial and will be ultimately dismissed.

And in this connection it may be pertinent to inquire by what right Sherman Clay & Co. can come into court and ask that an injunction be issued preventing the Searchlight Horn Co. from prosecuting suits against other customers of the Victor Talking Machine Co., even if it were a fact that the Searchlight Horn Co. was contemplating such action? Sherman Clay & Co. is itself only a customer of the Victor Co., and has no status in law which would give it a right to ask for injunctions against the prosecution of suits against other customers of the Victor Co. That is a matter which concerns only the Victor Co.

IV.

Question of Discretion.

The granting or refusing of preliminary injunctions is a matter which rests solely in the discre-

tion of a trial court, and the appellate court will not interfere with the exercise of such discretion except in a case of abuse thereof. This court has repeatedly announced this rule of law, and it is not necessary to cite cases in support thereof. The lower court exercised its jurisdiction in this respect by refusing the injunction, and there is no assignment of error on the part of appellant, nor any contention, that the lower court abused its discretion. The contention is that the appellant was entitled to the injunction as a matter of right. This is a misconception of the law. No litigant is ever entitled to a preliminary injunction as a matter of right. The granting or refusing of preliminary injunctions is wholly a matter of discretion. This view alone is sufficient to dispose of the appeal.

V.

The Matter of the Stipulation Between the Parties Filed August 24, 1914.

That stipulation appears at page 129 of the record and has been heretofore quoted in this brief. According to the said stipulation it is provided that the New Jersey case against the Victor Talking Machine Co. shall not, without the written consent of the plaintiff, be brought on for trial, nor shall any step be taken in that direction, prior to the final hearing of the case at bar. In other words, the case at bar must be tried and disposed of before the

trial of the New Jersey case. This stipulation was entered into by the counsel of both parties. It was entered into upon a consideration, which consideration consisted in the agreement to postpone the trial of the case at bar from the July to November term of the court. Defendants were not ready to try the case at the July term and asked for a continuance, and we granted the continuance in consideration of the solemn promise, agreement, and stipulation on the part of opposing counsel that the trial of the New Jersey case was to await the trial of the California case. And yet the learned counsel for appellant, in the teeth of this stipulation and in utter disregard of their solemn promise and agreement, ask for an injunction suspending the trial of the California case until after the trial of the New Jersey case. In all our practice we have never met with a more deliberate attempt on the part of reputable counsel to violate their solemn agreement entered into under their signatures and upon a consideration. We think that this conduct demands, and should receive some notice at the hands of this court. Attorneys are sworn officers of the court, and it is their duty to keep faith and to act honorably and uprightly towards opposing counsel, and one of their duties is to observe and live up to their agreements made in court. Here we have a deliberate attempt on the part of counsel to violate their solemn promise. We can look upon this appeal in no other light. If attorneys will not act honorably

and uprightly of their own accord, the court will compel them to do so.

Dated, San Francisco,
March 12, 1915.

Respectfully submitted,

JOHN H. MILLER,

Attorney for Appellee.

